

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 FEA-01 INT-05 /093 W

----- 103890

R 090631Z JUN 75

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 4842

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY WARSAW

LIMITED OFFICIAL USE STOCKHOLM 2762

E.O. 11652: N/A

TAGS: ENRG, ETRD, PL, SW

SUBJECT: POLAND AND SWEDEN FAIL TO REACH AGREEMENT ON COAL

REF: A. STOCKHOLM A-400 (1974)

B. WARSAW 3220

1. VISIT OF POLISY COMMUNIST PARTY CHIEF EDWARD GIEREK TO SWEDEN FAILED TO RESULT IN AGREEMENT ON SWEDISH PURCHASE OF POLISY COKING COAL. DAGENS NYHETER, BIGGEST STOCKHOLM MORING PAPER, ON JUNE 4 CHARACTERIZED FAILURE AS "DISILLUSIONING END" TO GIEREK'S FOUR-DAY STATE VISIT TO SWEDEN (JUNE 2-5). PLANS HAD CALLED FOR POLAND TO DELIVER ONE MILLION TONS OF COAL A YEAR TO SWEDEN DURING PERIOD 1976-85.

2. ACCORDING TO NEWSPAPER, BOTH GIEREK AND SWEDISH PRIME MINISTER OLOF PALME HAD STRONGLY HOPED FOR COAL AGREEMENT AS CONCRETE ACCOMPLISHMENT AND BRILLIANT FINALE OF VISIT. BUT
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AGREEMENT ELUDED THEM DESPITE TWO YEARS OF INTERMITTENT NEGOTIATIONS, INCLUDING RENEWED TALKS OVER LAST 14 DAYS WHEN, INDUSTRY MINISTRY SOURCE SAID, GOS WAS ACTIVE IN INSPIRING CONCERNED SWEDISH COMPANIES AND BANKS TO GET FIRECTLY INVOLVED.

3. POTENTIAL PURCHASERS, ORBOTTEN (NJA) AND SMALLER OXELOSUND STEELWORKS, FOUND POLISH CONDITIONS TOO DEAR. POLISY NEGOTIATORS (WENGLOKOKS) WERE UNYIELDING REGARDING TERMS, ACCORDING TO STEN NIKLASSON, INDUSTRY MINISTRY, CONTINUING TO ASK FOR \$100 IN INVESTMENT CREDITS FOR EVERY TON OF COAL SOLD (REF A). MOREOVER THEY ASKED FOR LONGER REPAYMENT PERIOD AND LOWER INTEREST RATES THAN THOSE PREVAILING IN NORMAL MARKET ARRANGEMENTS. GOS HAS NOT AGREED TO SUBSIDIZE THESE CREDITS. COMMERCIAL BANKS INVOLVED IN NEGOTIATIONS COULD NOT AND WOULD NOT ARRANGE LOANS. SINCE SWEDISH NEGOTIATORS IN THIS ROUND WERE PRIVATE COMPANIES AND BANKS, COMMERCIAL CONSIDERATIONS WERE DECISIVE.

4. COMMENT: NIKLASSON COULD UNDERSTAND OBSTINACY OF POLES. HAVING CONCLUDED COAL AGREEMENTS WITH ONE OR TWO OTHER GOVERNMENTS ON TERMS SIMILAR TO THOSE DEMANDED OF SWEDES, POLES FIND IT AWKWARD TO OFFER SWEDEN MORE FAVORABLE TERMS. FURTHERMORE, POLES UNDERSTAND THAT COAL SALES PROVIDE LIKELIEST WAY TO INCREASE THEIR HARD-CURRENCY RESERVES. BUT THEY MUST MAKE HUGE INVESTMENTS TO OPEN NEW MINES, AT INITIAL AVERAGE COST OF \$100/TON OF PRODUCED COAL, THEY CLAIM. IN ADDITION TO INVESTMENT CREDITS, SWEDEN IS ALSO BEING ASKED TO PAY \$50-60/ TON FOR COAL. POLISY CONDITIONS WOULD OBVIOUSLY REQUIRE SWEDISH OUTLAY OF BILLIONS OF CROWNS. WHILE BIG NJA PLANT HAS COAL INVENTORY SUFFICIENT TO LAST THROUGH 1976, IN LONG TERM SWEDES WILL WANT POLISH COAL. NIKLASSON SAID GOS HOPEFUL THAT NEGOTIATIONS WILL RESUME AND THAT AGREEMENT CAN EVENTUALLY BE REACHED ON MUTUALLY SATISFACTORY TERMS.

5. FAILURE OF COAL TALKS LEFT GIEREK VISIT WITHOUT MATERIAL GAIN. WHILE VISIT PRODUCED LOTS OF PAPER -- COMMUNIQUE, DECLARATION ON FRIENDLY RELATIONS, AND AGREEMENTS RELATING TO ECONOMIC/SCIENTIFIC COOPERATION, HEALTH, AND DOUBLE-TAXATION (SEPTELS), COAL DEAL WOULD HAVE BEEN ACHIEVEMENT OF SUBSTANCE IMPORTANT TO BOTH SIDES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COAL, DIPLOMATIC DISCUSSIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STOCKH02762
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750200-1018
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750699/baaaadhh.tel
Line Count: 98
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2003 by BoyleJA>; APPROVED <29 SEP 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ENRG, ETRD, OVIP, PFOR, PL, SW, (PALME, OLOF), (GIEREK, EDWARD)
To: STATE INFO COPENHAGEN
HELSINKI
MOSCOW
OSLO
WARSAW
Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006